

AGENDA NO: 6



INDEPENDENT AUDIT COMMITTEE – 8 DECEMBER 2017

MEDIUM TERM FINANCIAL STRATEGIES

REPORT BY NEAL BUTTERWORTH, ALLIANCE HEAD OF FINANCE

PURPOSE OF THE REPORT

To inform the Independent Audit Committee of the timescales and assumptions relating to the Medium Term Financial Strategy forecasts for Dorset and Devon & Cornwall Police.

1.0 INTRODUCTION

- 1.1. Work is continuing on the production of the Medium Term Financial Strategies (MTFS) for Dorset and Devon & Cornwall Police. The MTFS sets out the budget requirement for the following financial year, and the three years subsequent to that, and compares this with anticipated available funding. Budget requirement and funding figures are currently being produced in order that plans to meet any residual gap can be drawn up.
- 1.2. The budget requirement figures are aligned to the respective Police and Crime Plans in order to identify resource required to service the Plan. Numerous assumptions are necessary in each MTFS in respect of budget requirement – for example level of anticipated pay awards, workforce numbers, and so on. Similarly, assumptions are made in respect of funding – in particular grant funding and Council Tax.
- 1.3. This paper sets out the key assumptions that are being applied to the MTFS, and the timetable for production and eventual agreement of the MTFS as the basis for the 2018/19 budget.

2.0 KEY ASSUMPTIONS

- 2.1. The budget requirement calculations are made in advance of the commencement of the financial year, and on the basis of incomplete information. The budget therefore reflects an estimate of need, and is underpinned with a number of key assumptions. The assumptions are intended to provide as realistic a view as possible of the likely budget for the years covered by the MTFS.
- 2.2. In most instances assumptions will have some evidence to support the use of those particular assumptions.

2.3. Key sources of information include:

- Autumn Budget 2017 (to be announced 22 November 2017)
- Consumer Price Indices
- Actuarial reviews
- National / Regional financial information
- Pay review negotiations

2.4. A schedule of key assumptions used within the 2018/19 MTFS is included at Appendix A.

3.0 TIMETABLE

3.1. In order for each PCC to ultimately be able to set a Council Tax precept within the statutory timescales, each Force sets a budget timetable. This ensures that the budget workings are drawn up and reported in on to allow the precept to be set at Police and Crime Panel meetings at the beginning of February.

3.2. The budget timetable from mid-November onwards is shown at Appendix B for Devon & Cornwall, and at Appendix C for Dorset.

4.0 CONCLUSION

4.1. This report, and in particular the schedules set out in the Appendices, show at a high level the basis of the calculation of the budget and MTFS for each Force, and the timescales required to ensure the Council Tax precept is set.

4.2. The assumptions and timescale for each Force to achieve this are, as far as possible, consistent.

5.0 RISKS/RESOURCE REQUIREMENTS

Financial/Resource/Value for Money Implications

5.1 The assumptions used in the preparation of the budget determine the level of savings that must be achieved, and the service development that can be delivered. As such, it has a direct financial implication, including value for money.

Legal Implications

5.2 The Council Tax precept must be set within a statutory timeframe. The timescales set out in this paper ensure that this will be achieved.

Implications for Policing Outcomes

5.3 The budget preparation work is drawn up to support delivery of the Police and Crime Plans, seeking to maximise the resources available to deliver the Plan.

Equality

5.4 None.

6. RECOMMENDATION

6.1 It is recommended that this report be noted.

NEAL BUTTERWORTH
ALLIANCE HEAD OF FINANCE

Members' Enquiries to: Mr Neal Butterworth, Alliance Head of Finance (01305) 222356

Appendix A: Schedule of Assumptions
Appendix B: Budget Timetable – Devon & Cornwall Police
Appendix C: Budget Timetable – Dorset Police

SCHEDULE OF KEY BUDGET ASSUMPTIONS

This schedule identifies the key assumptions used in the ongoing calculation of the 2018/19 budget. The Force that each assumption relates to is highlighted. Where possible, assumptions are consistent for both Forces.

- Government Police Grant funding will reduce in cash terms in 18/19 and 19/20 by 0.6%, then cash standstill thereafter (*Dorset and Devon & Cornwall*)
- Council Tax will increase by 1.99% for each year covered by this MTFs (*Dorset and Devon & Cornwall*)
- Counter Terrorism specific grant will reduce in 2018/19 (*Dorset and Devon & Cornwall*)
- A 2.0% increase in taxbase is assumed for each year of the MTFs for Devon & Cornwall
- A 1.0% increase in taxbase is assumed for each year of the MTFs for Dorset
- A £2.3m surplus on collection funds is assumed in 2018/19, followed by annual surpluses of £2.0m for Devon & Cornwall
- A £0.4m surplus on collection funds is assumed in each year of the MTFs for Dorset
- Capital Grant funding will remain fixed at the 2017/18 amount (£0.412m for Dorset, £1.104m for Devon & Cornwall)
- Proposed savings from the Strategic Alliance will be achieved in line with the figures presented to the Programme Direction Group in September 2017 (*Dorset and Devon & Cornwall*)
- Turnover on police officers takes into account officers leaving at their 30 year service date, plus an estimate for ill health retirements, transfers out and resignation (*and Devon & Cornwall*)
- A 2.6% pay award will be applied on 01 September 2018 and in each subsequent year for police officers and police staff. This reflects a mid-point between current CPI and forecast future CPI at September 2018 (*Dorset and Devon & Cornwall*)
- The employer's current contribution to the police staff pension scheme will be 12.4% plus agreed contributions to deficit, as below

	Devon & Cornwall			
	17/18	18/19	19/20	20/21
LGPS Base Contribution	12.40%	12.40%	12.40%	12.40%
Plus Repayment of LGPS Deficit (approximate cash contribution £000's)	2,169	2,219	2,269	2,320

Dorset			
17/18	18/19	19/20	20/21
12.40%	12.40%	12.40%	12.40%
184	429	676	732

- Police Officer pension contributions have been assumed to remain at 24.2% throughout the period of the MTFs (*Dorset and Devon & Cornwall*)

Not Protectively Marked
Freedom of Information Classification – Open

- Inflation has been applied only to budgets that are subject to inflationary pressures at a notional rate of 1.0%, except where individual rates are known, or can be separately estimated due to particular inflationary pressures. Actual CPI for September 2017, published on 17 October 2017, was 2.8% (*Dorset and Devon & Cornwall*)
- Future investment income assumes an interest rate achieved of 0.90%. The current actual bank base rate is 0.50% (*Dorset and Devon & Cornwall*)
- The capital programme will be financed by capital grant, capital receipts and revenue financing through direct contributions, use of reserves, and borrowing (*Dorset and Devon & Cornwall*)

BUDGET TIMETABLE – DEVON AND CORNWALL POLICE

EVENT	DATE	PURPOSE	KEY DOCUMENTS
Force Executive Board	21/11/2017	Budgets (precept, reserves and debts, PRISM, capital assets)	Draft Budget Paper
Autumn Budget	22/11/2017		
Police and Crime Panel	01/12/2017		
Budget meeting	06/12/2017	Update on Autumn Budget information.	Revised Draft Budget Paper to include update on Autumn Budget
JMB	07/12/2017	1) High level financial requirement from major review areas. Position prior to grant settlement 2) Settlement position compared with requirement (extra meeting)	Revised Draft Budget Paper to include update on Autumn Budget Proposal on meeting budget gap
Force Executive Board	12/12/2017	To present Budgets (cuts and growth)	Revised Draft Budget Paper to include update on Autumn Budget Proposal on meeting budget gap
Budget both Forces, Bridport	13/12/2017	Budget prep, assumptions and timelines. Meeting to take place prior to AEB. Stakeholder Meeting.	
Budget meeting	18/12/2017		Final Budget Paper required
Joint Internal Meeting	21/12/2017	Settlement?? (around the 20th Dec?) First Draft paper for panel in February 2018.	Papers to support final budget paper / MTFS documents
Joint Internal Meeting	08/01/2018	To consider First Draft Panel Report, precept and MTFS	First Draft of Panel Report
Force Executive Board	09/01/2018		Final Budget Paper
JMB (Budget)	11/01/2018	To consider First Draft Panel Report	Final Budget Paper / MTFS
Joint Internal Meeting	16/01/2018	To consider Final Panel Report to sign off	Final Panel Report
Budget meeting	17/01/2018		

Not Protectively Marked
Freedom of Information Classification – Open

Force Executive Board	23/01/2018		
Police and Crime Panel	02/02/2018	Agree Precept	
Force Executive Board	06/02/2018		
Police and Crime Panel (provisional date)	16/02/2018		

BUDGET TIMETABLE – DORSET POLICE

EVENT	DATE	PURPOSE	KEY DOCUMENTS
Autumn Budget	22/11/2017		
Resource Control Board	28/11/2017	To consider revenue and capital budget proposals	Draft Budget Paper / Capital Programme
JEB	04/12hut/2017	To consider draft budget paper / proposals	Draft Budget Paper
Budget both Forces, Bridport	13/12/2017	Budget prep, assumptions and timelines. Meeting to take place prior to AEB. Stakeholder Meeting.	
Resource Control Board	18/12/2017		Draft Final Budget Paper required
JEB	18/12/2017	To consider final budget paper	Draft Final Budget Paper required
Final Papers Deadline	22/12/2017	Settlement?? (around the 20th Dec?) First Draft paper for panel in February 2018.	Papers to support final budget paper / MTFS documents
Police and Crime Panel (MTFS update)	11/01/2018	Briefing session on key financial issues	MTFS Summary Presentation
JEB	15/01/2018	To consider final budget report for panel	Final Budget Paper
Panel Pre Meet	30/01/2018		
Police and Crime Panel	01/02/2018	Agree Precept	
Police and Crime Panel (provisional date)	19/02/2018		